

**BENTON COMMUNITY SCHOOL DISTRICT
VAN HORNE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2011

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BENTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Dan Voss	President	2011
Brian Strellner	Vice President	2011
Bill Boies	Board Member	2011
Brenda Schanbacher	Board Member	2011
Jack Barnes	Board Member	2013
Wayne Reinhardt	Board Member	2013
Patrick Stepanek	Board Member	2013
<u>School Officials</u>		
Gary Zittergruen	Superintendent	2011
Doug Embray	District Secretary/Associate Superintendent	2011
Eva Bartelt	District Treasurer	2011
Ray and Associates	Attorney-Negotiations	Indefinite
Lynch, Dallas PC	Attorney	Indefinite
Shuttleworth and Ingersoll	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Benton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2012 on our consideration of Benton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 51 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
February 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS 2011

This section of the Benton Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2011. Our analysis will focus on the District's financial performance as a whole for the fiscal year 2011.

This is the ninth year that all District financial activities are reported on a full accrual basis, and comparisons with prior years will be made when appropriate. Efforts have been made to provide comparison data from the prior year when such data is required.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Fiscal 2011 Financial Highlights

- ◆ General Fund revenue and other financing sources increased from \$13,974,588 in fiscal 2010 to \$15,359,130 in fiscal 2011 while General Fund expenditures increased slightly from \$14,256,974 in fiscal 2010 to \$14,395,559 in fiscal 2011. This resulted in an overall change in the District's General Fund balance from \$998,436 in fiscal 2010 to \$1,962,007 in fiscal 2011, an increase from the prior fiscal year.
- ◆ The increase in General Fund revenues was attributed to increased cash levy asking and Federal Stimulus Program, ARRA. The school district entered its ninth year of the District Instructional Support Levy, funded by a mixture of Income-surtax, local property tax and State Aid. The levy is scheduled to provide approximately \$746,673 for District identified purchases.
- ◆ The increase in expenditures was due primarily to personnel settlements, technology hardware/software and increased vendor services to the school district.
- ◆ The District continues to collect one-cent sales tax revenue from Benton, Iowa and Tama Counties during the 2011 fiscal year. The revenue from this tax has been used to reduce District long-term debt. The District has also approved a new Revenue Purpose Statement to align with State Legislation on the One Cent Sales revenue collection. This funding stream continues to support district infrastructure needs.
- ◆ A stagnant economy impacted earning rates during the fiscal year, resulting in a small decrease in General Fund interest earnings on investments. In fiscal year 2010, the District earned \$13,173 on investments. In fiscal year 2011, the District earned \$10,022 on investments, a decrease over last year's earnings.
- ◆ The District completed several Physical Plant and Equipment activities related to building and grounds projects during the 2011 fiscal year. The Voted portion of the District PPEL fund expired in Fiscal 2011. This funding approval has provided approximately 5 million dollars over the past decade to improve District infrastructure. The District continues to support the .33 cent portion of annual PPEL revenue through the annual budgeting process.

Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services, latchkey and preschool.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities, and student enrollment trends.

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ **Governmental funds:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ **Business-type funds:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

Fund Financial Statements

The fund financial statements, included with this report, provide more detailed information about the District's funds, focusing on its most significant or major funds. Funds are accounting devices the District uses to keep track of specific sources of revenue and spending on particular programs. Funds do not focus on the District as a whole.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or show that it is properly using certain revenues such as federal grants.

Benton Community School District has three types of funds:

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, which can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the school nutrition program and the preschool program.
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others.
 - ◆ **Agency Fund:** These are either funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts, or certain revenue collected from District employee purchases of pop and related expenditures.

The District is responsible for ensuring that those to whom the assets belong use them only for their intended purposes and the assets reported in the fiduciary funds. The District excludes these activities from District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets: Figure A-1 provides a summary of the District's net assets for fiscal years ended June 30, 2010 and June 30, 2011.

Figure A-1 Statement of Net Assets

	Government Activities	Business Activity	School District	Government Activities	Business Activities	School District	Change
	2010	2010	2010	2011	2011	2011	
Current /other assets	15,381,309	170,592	15,551,901	15,507,622	180,056	15,695,678	143,777
Capital Assets	15,009,172	86,646	15,095,818	16,447,227	111,464	16,558,691	1,462,873
Total Assets	30,390,481	257,238	30,647,719	31,954,849	299,520	32,254,369	1,606,650
Long-term obligations	9,608,193	0	9,608,193	9,326,596	0	9,326,596	-281,597
Other liabilities	8,290,510	19,532	8,310,042	8,492,644	22,063	8,514,707	204,665
Total Liabilities	17,898,703	19,532	17,918,235	17,819,240	22,063	17,841,303	-76,932
Net Assets:							
Invested in capital Assets, net of debt	7,528,237	86,646	7,614,883	7,387,227	111,464	7,498,691	-116,192
Restricted	4,473,142	0	4,473,142	5,465,168	0	5,465,168	992,026
Unrestricted	490,399	151,060	641,459	1,283,214	165,993	1,449,207	807,748
Total Net Assets	12,491,778	237,706	12,729,484	14,135,609	277,457	14,413,066	1,683,582

Changes in net assets: Figure A-2 shows the changes in net assets for the years ending June 30, 2010 and June 30, 2011.

Figure A-2 Changes in Net Assets

	Government Activities 2010	Business Activities 2010	School District 2010	Government Activities 2011	Business Activities 2011	School District 2011	Change
Revenues:							
Program Revenue:							
Charge for service / sales	1,334,947	542,305	1,877,252	1,413,546	555,350	1,968,896	91,644
Operating grants, restricted interest	2,617,372	268,119	2,885,491	2,531,963	252,390	2,784,353	-101,138
Capital grants, and restricted interest	0	0	0	0	20,000	20,000	20,000
General Revenues:							
Property tax	7,164,887	0	7,164,887	7,770,639	0	7,770,639	605,752
Unrestricted state grants	5,291,691	0	5,291,691	6,288,891	0	6,288,891	997,200
Unrestricted investments	78,044	642	78,686	40,163	637	40,800	-37,886
Other	91,126	0	91,126	42,935	0	42,935	-48,191
Total revenues	16,578,067	811,066	17,389,133	18,088,137	828,377	18,916,514	1,527,381
Program Expenses:							
Governmental activities							
Instruction	10,180,353	0	10,180,353	10,356,462	0	10,356,462	176,109
Support services	4,625,720	0	4,625,720	4,549,088	0	4,549,088	-76,632
Non-instruction Programs	0	797,696	797,696	0	788,626	788,626	-9,343
Other expenses	1,443,126	0	1,443,126	1,538,756	0	1,538,756	95,630
Total expenses	16,249,199	797,696	17,046,895	16,444,306	788,626	17,232,932	186,037
Change in net assets	328,868	13,370	342,238	1,643,831	39,751	1,683,582	1,341,344

Property tax and unrestricted state grants account for 74% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$18,088,137 and expenses were \$16,444,306 in fiscal 2011, the District attempted to balance revenues and expenses for most Governmental Funds, excluding the Capital Projects Fund. Particular attention was given to the District General Fund. The following table presents the total and net cost of the District's major governmental activities; instruction, support services, non-instructional programs and other expenses.

Figure A-3 Total Net Cost of Governmental Activities

Figure A-3 shows the changes in Net costs for the years ending June 30, 2010 and June 30, 2011.

	Cost of Services 2010	Net Cost of Services 2010	Cost of Services 2011	Net Cost of Services 2011	Change
Instruction	10,180,353	6,992,428	10,356,462	7,118,013	125,585
Support services	4,625,720	4,585,873	4,549,088	4,498,529	-87,344
Non-instructional programs	0	0	0	0	0
Other expenses	1,443,126	718,579	1,538,756	882,255	163,676
Total	16,249,199	12,296,880	16,444,306	12,498,797	201,917

- ◆ The cost financed by users of District's programs was \$1,413,546
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$2,531,963
- ◆ The net cost of governmental activities was financed with \$7,770,639 in property tax and other taxes, \$6,288,891 in state foundation aid and \$40,163 in interest income.

Business -Type Activities

Revenues for the District's business-type activities were \$828,377 and expenses were \$788,626. The District's business-type activities include the School Nutrition Fund, Latch key and Preschool programs. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

During the year ended June 30, 2011, the District increased its meal prices and preschool fees. This increased revenue resulted in additions to the School Nutrition Fund and Preschool Daycare Fund, which the District has obligated for updating computers and software and salaries for preschool personnel.

Financial Analysis of the District's Funds

As previously noted, the Benton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$ 6,539,118 a slight decrease over last year's ending fund balance of \$ 6,643,841.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The increase in in cash levy asking and Federal Stimulus Funding, ARRA resulted in an increase in revenues. The increase in revenues was coupled with only a slight increase in General Fund expenditures. These conditions resulted in an increase in the District's carry over fund balance.
- ◆ The General Fund balance increased from \$998,436 to \$1,962,007 for the 2011 fiscal year. In addition 2011 was the ninth year for a District Instructional Support Levy, which has helped support expenditures in the General Fund.
- ◆ The Physical Plant and Equipment Levy (PEEL) Fund balance increased in 2011. The Fund balance increased from \$758,109 in fiscal 2010 to \$900,028 in fiscal 2011. This fund balance will be needed as the District prepares to complete identified construction projects in various district buildings. The voted portion of this levy expired in FY 11.
- ◆ The District's Capital Project Funds increased to a balance of \$2,351,205 on June 30, 2011. This balance is a combination of One-cent sales tax money collections, reserve related to the Middle/High School building project and bond revenue to complete the Atkins Elementary Renovation Project. A portion of this balance is reserved for long-term debt reduction and infrastructure projects.

Proprietary Fund Highlights

The School Nutrition Fund had net assets of \$260,943 on June 30, 2011. As previously noted, the District increased meal prices resulting in the increase in net assets of \$18,030.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year the District did not amend its budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and Major Special Revenue Funds are not presented on the budgetary comparison pages.

Legal Budgetary Highlights

The District's total actual revenues in 2011 were \$18,890,400; \$793,996 more than the total budget revenues amount of \$18,096,404 in 2010. Total expenditures were less than budgeted amount due primarily to the District's amount allocated for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2011, the District had invested \$16,558,691 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) This amount represents a net increase from the last fiscal year. More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$573,437.

Excluding depreciation, the District has over fifteen million dollars in capital assets. Governmental Funds account for the majority of the District's capital assets with the remainder in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation

Figure A-4 shows the changes in Capital Assets for the years ending June 30, 2010 and June 30, 2011.

	Governmental	Business-type	School	Governmentl	Business-Type	School
	Activities	Activities	District	Activities	Activities	District
	2010	2010	2010	2011	2011	2011
Land	63,056	0	63,056	63,056	0	63,056
Land Improvements	234,829	0	234,829	223,377	0	223,377
Buildings	9,368,898	0	9,368,898	15,417,203	0	15,417,203
Construction	4,625,445	0	4,625,445	94,035	0	94,035
Furniture/Equip	716,944	86,646	803,590	649,556	111,464	761,020
Totals	15,009,172	86,646	15,095,818	16,447,227	111,464	16,558,691

Long-Term Debt

On June 30, 2011, the District had \$9,326,596 in general obligation and other long-term debt outstanding. This represents a decrease of \$281,597 from the 2010 fiscal year. These funds are being used to finance the Middle School High School Facility Roof and Drainage improvements and the Atkins Elementary Renovation Project.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- ◆ The District has experienced declining enrollment for six of the past seven years. The District has annually monitored this decline and has been able to react through aggressive cash levy options and use of Federal Stimulus Funding. The District has been able to reduce expenditures annually through district personnel attrition and early retirement incentives. Current projections suggest a continued enrollment decline for the next three fiscal years.
- ◆ The District Physical Plant and Equipment Levy will expire in 2011. The District has continued to support the .33 PPEL Levy through annual budgeting practices.
- ◆ Future obligations impacting the Sales Revenue Fund (33) include the early payoff of the current general obligation bond balance of \$2,585,000 and the annual payments on the \$6,575,000 revenue bonds for building infrastructure improvements issued in fiscal year 2009. Current annual payments are calculated to be approximately \$731,000 annually. The Sales Revenue Fund will generate annually, with the assumption of 2% State Sales Revenue Growth and declining district enrollment of 25 students annually, approximately \$1,000,000 per year.
- ◆ The District has annually supported the board approved Instructional Support Levy, ISL for the district improvements in technology, staff development, and textbook needs. This levy is a combination of property tax and district income surtax and generates approximately \$775,000 annually for the General Fund (10). If this levy is not supported on an annual basis the district general fund would be impacted by these expenses.
- ◆ The District will negotiate a new labor contract in 2012 with its employee groups for fiscal 2013. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and Reserve Fund Balance. The district will be budgeting district resources and expense within the state budget guarantee of 101% of the 2012 budget due to declining enrollment.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Douglas D. Embray, Associate Superintendent, Benton Community School District, 304 First Street, PO Box 70, Van Horn, Iowa 52346-0070.

Basic Financial Statements

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 7,609,844	\$ 184,372	\$ 7,794,216
Receivables:			
Property tax:			
Current year	82,261	-	82,261
Succeeding year	6,314,023	-	6,314,023
Income surtax	635,546	-	635,546
Accounts	12,538	626	13,164
Due from other governments	819,781	-	819,781
Interfund balances (note 4)	24,827	(24,827)	-
Inventories	8,802	27,885	36,687
Capital assets, net of accumulated depreciation (note 5)	16,447,227	111,464	16,558,691
Total assets	31,954,849	299,520	32,254,369
Liabilities			
Accounts payable	360,538	5,734	366,272
Salaries and benefits payable	1,250,447	3,052	1,253,499
Accrued interest payable	159,686	-	159,686
Deferred revenue:			
Succeeding year property tax	6,314,023	-	6,314,023
Other	407,950	13,277	421,227
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	65,596	-	65,596
Bonds payable	345,000	-	345,000
Portion due after one year:			
Bonds payable	8,715,000	-	8,715,000
Net OPEB liability	201,000	-	201,000
Total liabilities	17,819,240	22,063	17,841,303

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 7,387,227	\$ 111,464	\$ 7,498,691
Restricted for:			
Categorical funding (note 11)	833,229	-	833,229
Management levy	101,080	-	101,080
Physical plant and equipment levy	1,172,405	-	1,172,405
Student activities	279,233	-	279,233
Debt service	710,795	-	710,795
Capital projects	2,351,205	-	2,351,205
Baseball program	17,221	-	17,221
Unrestricted	1,283,214	165,993	1,449,207
Total net assets	<u>\$ 14,135,609</u>	<u>\$ 277,457</u>	<u>\$ 14,413,066</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants
Governmental Activities:				
Instruction	\$ 10,356,462	\$ 1,413,546	\$ 1,824,903	\$ -
Support services:				
Student services	167,276	-	-	-
Instructional staff services	428,220	-	-	-
Administration services	1,486,441	-	-	-
Operation and maintenance of plant services	1,508,658	-	-	-
Transportation services	958,493	-	50,559	-
	4,549,088	-	50,559	-
Other expenditures:				
Facilities acquisition	89,154	-	-	-
Long-term debt interest and fiscal charges	397,832	-	-	-
AEA flowthrough	656,501	-	656,501	-
Depreciation (unallocated) *	395,269	-	-	-
	1,538,756	-	656,501	-
Total governmental activities	16,444,306	1,413,546	2,531,963	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	765,027	510,030	252,390	20,000
Preschool/daycare operations	23,599	45,320	-	-
Total business-type activities	788,626	555,350	252,390	20,000
Total	\$ 17,232,932	\$ 1,968,896	\$ 2,784,353	\$ 20,000

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (7,118,013)	\$ -	\$ (7,118,013)
(167,276)	-	(167,276)
(428,220)	-	(428,220)
(1,486,441)	-	(1,486,441)
(1,508,658)	-	(1,508,658)
(907,934)	-	(907,934)
(4,498,529)	-	(4,498,529)
(89,154)	-	(89,154)
(397,832)	-	(397,832)
-	-	-
(395,269)	-	(395,269)
(882,255)	-	(882,255)
(12,498,797)	-	(12,498,797)
-	17,393	17,393
-	21,721	21,721
-	39,114	39,114
(12,498,797)	39,114	(12,459,683)

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs

General revenues:

Property tax levied for:

General purposes

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 5,701,102	\$ -	\$ 5,701,102
261,696	-	261,696
655,990	-	655,990
1,151,851	-	1,151,851
6,288,891	-	6,288,891
40,163	637	40,800
42,935	-	42,935
14,142,628	637	14,143,265
1,643,831	39,751	1,683,582
12,491,778	237,706	12,729,484
<u>\$ 14,135,609</u>	<u>\$ 277,457</u>	<u>\$ 14,413,066</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 3,567,721	\$ 2,711,860	\$ 1,330,263	\$ 7,609,844
Receivables:				
Property tax:				
Current year	74,532	3,490	4,239	82,261
Succeeding year	5,842,851	171,171	300,001	6,314,023
Income surtax	363,169	272,377	-	635,546
Interfund receivable (note 4)	24,827	-	-	24,827
Accounts	6,198	-	6,340	12,538
Due from other governments	273,129	546,652	-	819,781
Inventories	8,802	-	-	8,802
Total assets	\$ 10,161,229	\$ 3,705,550	\$ 1,640,843	\$ 15,507,622

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 334,805	\$ 10,769	\$ 14,964	\$ 360,538
Salaries and benefits payable	1,250,447	-	-	1,250,447
Deferred revenue:				
Succeeding year property tax	5,842,851	171,171	300,001	6,314,023
Other	771,119	272,377	-	1,043,496
Total liabilities	8,199,222	454,317	314,965	8,968,504
Fund balances:				
Nonspendable:				
Inventories	8,802	-	-	8,802
Restricted for:				
Categorical funding (note 11)	833,229	-	-	833,229
Revenue bonds	-	-	550,000	550,000
Revenue bonds sinking fund	-	-	317,281	317,281
Debt service	-	-	3,200	3,200
Management levy purposes	-	-	158,943	158,943
Student activities	-	-	279,233	279,233
Baseball program	-	-	17,221	17,221
School infrastructure	-	2,351,205	-	2,351,205
Physical plant and equipment	-	900,028	-	900,028
Unassigned	1,119,976	-	-	1,119,976
Total fund balances	1,962,007	3,251,233	1,325,878	6,539,118
Total liabilities and fund balances	\$ 10,161,229	\$ 3,705,550	\$ 1,640,843	\$ 15,507,622

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Total fund balances of governmental funds	\$ 6,539,118
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	16,447,227
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	635,546
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(159,686)
Long-term liabilities, including early retirement, bonds payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,326,596)</u>
Net assets of governmental activities	<u>\$ 14,135,609</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 5,734,718	\$ 1,672,856	\$ 306,605	\$ 7,714,179
Tuition	507,759	-	-	507,759
Other	116,699	27,558	695,493	839,750
State sources	7,919,008	179	202	7,919,389
Federal sources	1,080,946	-	-	1,080,946
Total revenues	15,359,130	1,700,593	1,002,300	18,062,023
Expenditures:				
Current:				
Instruction	9,603,828	-	728,918	10,332,746
Support services:				
Student services	167,276	-	-	167,276
Instructional staff services	428,220	-	-	428,220
Administration services	1,464,397	-	15,859	1,480,256
Operation and maintenance of plant services	1,239,000	68,535	225,588	1,533,123
Transportation services	836,337	76,488	1,903	914,728
	4,135,230	145,023	243,350	4,523,603
Other expenditures:				
Facilities acquisition	-	1,993,276	-	1,993,276
Long term debt:				
Principal	-	-	260,000	260,000
Interest and fiscal charges	-	-	400,620	400,620
AEA flowthrough	656,501	-	-	656,501
	656,501	1,993,276	660,620	3,310,397
Total expenditures	14,395,559	2,138,299	1,632,888	18,166,746
Excess (deficiency) of revenues over (under) expenditures	963,571	(437,706)	(630,588)	(104,723)

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Interfund transfers in (note 3)	\$ -	\$ -	\$ 733,891	\$ 733,891
Interfund transfers out (note 3)	-	(733,891)	-	(733,891)
Total other financing sources (uses)	-	(733,891)	733,891	-
Net change in fund balances	963,571	(1,171,597)	103,303	(104,723)
Fund balances beginning of year, as restated (note 13)	998,436	4,422,830	1,222,575	6,643,841
Fund balances end of year	<u>\$ 1,962,007</u>	<u>\$ 3,251,233</u>	<u>\$ 1,325,878</u>	<u>\$ 6,539,118</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (104,723)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 1,996,621	
Depreciation expense	<u>(558,566)</u>	1,438,055

Income surtax and other revenues not received until several months after the District's fiscal year end are not considered available revenue in the governmental funds and are deferred. They are, however, recorded as revenue in the Statement of Activities.	26,114
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Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	260,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	2,788
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	65,597	
Net OPEB liability	<u>(44,000)</u>	<u>21,597</u>

Change in net assets of governmental activities	\$ <u><u>1,643,831</u></u>
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See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2011

	School Nutrition	Nonmajor- Preschool Daycare	Total
Assets			
Cash and cash equivalents	\$ 139,979	\$ 44,393	\$ 184,372
Accounts receivable	626	-	626
Inventories	27,885	-	27,885
Capital assets, net of accumulated depreciation (note 5)	111,464	-	111,464
Total assets	<u>279,954</u>	<u>44,393</u>	<u>324,347</u>
Liabilities			
Accounts payable	5,734	-	5,734
Salaries and benefits payable	-	3,052	3,052
Interfund payable (note 4)	-	24,827	24,827
Deferred revenue	13,277	-	13,277
Total liabilities	<u>19,011</u>	<u>27,879</u>	<u>46,890</u>
Net Assets			
Invested in capital assets	111,464	-	111,464
Unrestricted	149,479	16,514	165,993
Total net assets	<u>\$ 260,943</u>	<u>\$ 16,514</u>	<u>\$ 277,457</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2011

	School Nutrition	Nonmajor- Preschool Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 510,030	\$ 45,320	\$ 555,350
Operating expenses:			
Support services:			
Operation and maintenance of plant services	3,039	-	3,039
Non-instructional programs	761,988	23,599	785,587
	<u>765,027</u>	<u>23,599</u>	<u>788,626</u>
Operating income (loss)	(254,997)	21,721	(233,276)
Non-operating revenues:			
Interest on investments	637	-	637
Capital contributions	20,000	-	20,000
State sources	6,471	-	6,471
Federal sources	245,919	-	245,919
Total non-operating revenues	<u>273,027</u>	<u>-</u>	<u>273,027</u>
Change in net assets	18,030	21,721	39,751
Net assets beginning of year	<u>242,913</u>	<u>(5,207)</u>	<u>237,706</u>
Net assets end of year	<u>\$ 260,943</u>	<u>\$ 16,514</u>	<u>\$ 277,457</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	School Nutrition	Nonmajor- Preschool Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 492,262	\$ -	\$ 492,262
Cash received from miscellaneous operating activities	18,283	45,985	64,268
Cash payments to employees for services	(313,337)	-	(313,337)
Cash payments to suppliers for goods or services	(374,026)	(2,251)	(376,277)
Net cash provided by (used by) operating activities	(176,818)	43,734	(133,084)
Cash flows from non-capital financing activities:			
State grants received	6,471	-	6,471
Federal grants received	199,579	-	199,579
Net cash provided by non-capital financing activities	206,050	-	206,050
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(19,689)	-	(19,689)
Cash flows from investing activities:			
Interest on investments	637	-	637
Net increase in cash and cash equivalents	10,180	43,734	53,914
Cash and cash equivalents beginning of year	129,799	659	130,458
Cash and cash equivalents end of year	\$ 139,979	\$ 44,393	\$ 184,372

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	School Nutrition	Nonmajor- Preschool Daycare	Total
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (254,997)	\$ 21,721	\$ (233,276)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	14,871	-	14,871
Commodities used	46,340	-	46,340
Decrease in accounts receivable	239	665	904
Decrease in inventories	10,719	-	10,719
Increase in accounts payable	5,734	-	5,734
(Decrease) in salaries and benefits payable	-	(3,479)	(3,479)
Increase in interfund payable	-	24,827	24,827
Increase in deferred revenue	276	-	276
Net cash provided by (used by) operating activities	\$ <u>(176,818)</u>	\$ <u>43,734</u>	\$ <u>(133,084)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$46,340 of federal commodities and \$20,000 of contributed equipment.

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2011

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u>7,211</u>
Liabilities:	
Other payables	\$ <u>7,211</u>
See notes to financial statements.	

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

Benton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Van Horne, Atkins, Blairstown, Elberon, Keystone, Newhall, Norway, and Watkins, Iowa, and agricultural territory in Benton, Tama, and Iowa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Benton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Benton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton and Iowa County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2011 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	45-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue for governmental funds consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue for governmental activities in the Statement of Net Assets consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenue.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2011.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2. Cash and Pooled Investments (continued)

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>317,454</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>733,891</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Interfund Receivables and Payables

At June 30, 2011, the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental and proprietary funds:		
General	Enterprise - Preschool Daycare	\$ <u>24,827</u>

The interfund balances are due to timing differences involved in payroll reimbursements. These balances have been eliminated on the face of the District-wide Statement of Net Assets.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,056	\$ -	\$ -	\$ 63,056
Construction in progress	4,625,445	94,035	4,625,445	94,035
Total capital assets not being depreciated	4,688,501	94,035	4,625,445	157,091
Capital assets being depreciated:				
Buildings	15,902,385	6,424,343	-	22,326,728
Improvements other than buildings	458,673	11,188	-	469,861
Furniture and equipment	2,342,472	92,500	-	2,434,972
Total capital assets being depreciated	18,703,530	6,528,031	-	25,231,561
Less accumulated depreciation for:				
Buildings	6,533,487	376,038	-	6,909,525
Improvements other than buildings	223,844	22,640	-	246,484
Furniture and equipment	1,625,528	159,888	-	1,785,416
Total accumulated depreciation	8,382,859	558,566	-	8,941,425
Total capital assets being depreciated, net	10,320,671	5,969,465	-	16,290,136
Governmental activities capital assets, net	\$ <u>15,009,172</u>	\$ <u>6,063,500</u>	\$ <u>4,625,445</u>	\$ <u>16,447,227</u>
Business-type activities:				
Furniture and equipment	\$ 196,641	\$ 72,581	\$ 2,352	\$ 266,870
Less accumulated depreciation	109,995	47,763	2,352	155,406
Business-type activities capital assets, net	\$ <u>86,646</u>	\$ <u>24,818</u>	\$ <u>-</u>	\$ <u>111,464</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 31,203
Support services:	
Administration	1,296
Operation and maintenance of plant services	8,642
Transportation	<u>122,156</u>
	163,297
Unallocated depreciation	<u>395,269</u>
 Total governmental activities depreciation expense	 <u><u>\$ 558,566</u></u>
 Business-type activities:	
Food service operations	<u><u>\$ 14,871</u></u>

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 131,193	\$ -	\$ 65,597	\$ 65,596	\$ 65,596
General obligation bonds	2,745,000	-	160,000	2,585,000	170,000
Revenue bonds	6,575,000	-	100,000	6,475,000	175,000
Net OPEB liability	<u>157,000</u>	<u>44,000</u>	<u>-</u>	<u>201,000</u>	<u>-</u>
 Total	 <u><u>\$ 9,608,193</u></u>	 <u><u>\$ 44,000</u></u>	 <u><u>\$ 325,597</u></u>	 <u><u>\$ 9,326,596</u></u>	 <u><u>\$ 410,596</u></u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities (continued)

Early Retirement

The District previously offered a voluntary early retirement plan to its licensed and classified employees.

Eligible employees had to be at least age fifty-five on or before June 30, 2010 and had to have completed twenty years of continuous contracted service to the District. Employees had to complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to 30% of the employee's base salary excluding extra duty, extra-curricular, Phase II monies, teacher compensation funds, teacher quality funds or other payments not included in the salary schedule. The early retirement benefit for each eligible classified employee is equal to 30% of the employee's 2009-10 base salary or wages. Early retirement benefits will be paid in two equal annual payments into a 403 (b) plan.

At June 30, 2011, the District has obligations to eleven participants with a total liability of \$65,596. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$65,597. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 1, 2003			
	Interest Rates	Principal	Interest	Total
2012	3.375 %	\$ 170,000	\$ 104,432	\$ 274,432
2013	3.500	180,000	98,695	278,695
2014	3.700	185,000	92,395	277,395
2015	3.800	190,000	85,550	275,550
2016	3.900	200,000	78,330	278,330
2017	4.000	210,000	70,530	280,530
2018	4.100	215,000	62,130	277,130
2019	4.150	225,000	53,315	278,315
2020	4.250	235,000	43,977	278,977
2021	4.300	245,000	33,990	278,990
2022	4.400	260,000	23,455	283,455
2023	4.450	270,000	12,015	282,015
		<u>\$ 2,585,000</u>	<u>\$ 758,814</u>	<u>\$ 3,343,814</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2011 school infrastructure sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.000 %	\$ 175,000	\$ 281,938	\$ 456,938
2013	3.000	200,000	276,312	476,312
2014	3.000	250,000	269,563	519,563
2015	4.000	250,000	260,812	510,812
2016	4.000	275,000	250,313	525,313
2017	4.000	275,000	239,312	514,312
2018	4.000	275,000	228,313	503,313
2019	4.000	300,000	216,812	516,812
2020	4.000	320,000	204,413	524,413
2021	4.100	325,000	191,350	516,350
2022	4.250	350,000	177,250	527,250
2023	4.375	370,000	161,719	531,719
2024	4.500	375,000	145,188	520,188
2025	5.000	400,000	126,750	526,750
2026	5.000	420,000	106,250	526,250
2027	5.000	450,000	84,500	534,500
2028	5.000	465,000	61,625	526,625
2029	5.000	500,000	37,500	537,500
2030	5.000	500,000	12,500	512,500
		<u>\$ 6,475,000</u>	<u>\$ 3,332,420</u>	<u>\$ 9,807,420</u>

The District pledged future statewide sales and services tax revenues to repay the \$6,575,000 bonds issued in July 2009. The bonds were issued for the purpose of financing a portion of the costs of an elementary school addition. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 40 to 45 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$9,807,420. For the current year, principal and interest of \$386,062 was paid on the bonds and total statewide sales and services tax revenues were \$1,151,851.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The resolution providing for the issuance of the school infrastructure sales and services tax revenue bonds includes the following provisions:

- a) \$550,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited in the Project Fund.
- b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Fund.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 37 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Mercer Administration. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	79,000
Interest on net OPEB obligation		7,000
Adjustment to annual required contribution		(9,000)
Annual OPEB cost		<u>77,000</u>
Contributions made		<u>(33,000)</u>
Increase in net OPEB obligation		44,000
Net OPEB obligation beginning of year		<u>157,000</u>
Net OPEB obligation end of year	\$	<u><u>201,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$33,000 to the medical plan. Plan members eligible for benefits contributed \$77,000, or 70% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 77,000	42.9%	\$ 201,000

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$758,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$758,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,139,000, and the ratio of the UAAL to covered payroll was 35.4%. As of June 30, 2011, there were no trust fund assets.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2009.

Projected claim costs of the medical plan are \$779 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$667,045, \$657,112, and \$626,101, respectively, equal to the required contributions for each year.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Risk Management

Benton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$656,501 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Limited English proficient	\$ 5,036
Home school assistance program	2,421
At-risk programs	34,317
Gifted and talented programs	179,126
Returning dropouts and dropout prevention programs	120,766
Four-year-old preschool	353,872
Beginning teacher mentoring and induction	9,813
Salary improvement program	88,410
Model core curriculum	1,500
Professional development for model core curriculum	31,959
Professional development	2,013
Market factor incentives	3,996
Total	\$ <u>833,229</u>

Note 12. Construction Commitments

The District has entered into various contracts totaling \$6,192,948 for an elementary school addition and elementary school building renovations. As of June 30, 2011, costs of \$5,755,666 had been incurred against the contracts. The balance of \$437,282 remaining at June 30, 2011 will be paid as work on the projects progresses.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 3,664,721	\$ 758,109
Change in fund type classification per implementation of GASB Statement No. 54	<u>758,109</u>	<u>(758,109)</u>
Balances July 1, 2010, as restated	<u>\$ 4,422,830</u>	<u>\$ -</u>

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Required Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 9,061,688	\$ 575,987	\$ 9,637,675	\$ 9,440,068	\$ 197,607
Intermediate sources	-	-	-	25,000	(25,000)
State sources	7,919,389	6,471	7,925,860	10,877,253	(2,951,393)
Federal sources	1,080,946	245,919	1,326,865	620,000	706,865
Total revenues	18,062,023	828,377	18,890,400	20,962,321	(2,071,921)
EXPENDITURES/EXPENSES:					
Instruction	10,332,746	-	10,332,746	10,675,000	342,254
Support services	4,523,603	3,039	4,526,642	5,192,206	665,564
Non-instructional programs	-	785,587	785,587	1,218,000	432,413
Other expenditures	3,310,397	-	3,310,397	4,030,294	719,897
Total expenditures/expenses	18,166,746	788,626	18,955,372	21,115,500	2,160,128
Excess (deficiency) of revenues over (under) expenditures/expenses	(104,723)	39,751	(64,972)	(153,179)	88,207
Balance beginning of year	6,643,841	237,706	6,881,547	8,041,119	(1,159,572)
Balance end of year	\$ <u>6,539,118</u>	\$ <u>277,457</u>	\$ <u>6,816,575</u>	\$ <u>7,887,940</u>	\$ <u>(1,071,365)</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 1,011	\$ 1,011	0.0%	\$ 2,448	41.3%
2010	July 1, 2008	-	1,011	1,011	0.0%	2,497	40.5%
2011	July 1, 2010	-	758	758	0.0%	2,139	35.4%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	<u>Special Revenue</u>			<u>Permanent</u>	
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	<u>Marjorie</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	<u>Smith</u>	<u>Total</u>
				<u>Trust</u>	
Assets					
Cash and pooled investments	\$ 154,704	\$ 287,857	\$ 870,481	\$ 17,221	\$ 1,330,263
Receivables:					
Property tax:					
Current year	4,239	-	-	-	4,239
Succeeding year	300,001	-	-	-	300,001
Accounts	-	6,340	-	-	6,340
Total assets	\$ 458,944	\$ 294,197	\$ 870,481	\$ 17,221	\$ 1,640,843
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 14,964	\$ -	\$ -	\$ 14,964
Deferred revenue:					
Succeeding year property tax	300,001	-	-	-	300,001
Total liabilities	300,001	14,964	-	-	314,965
Fund balances:					
Restricted for:					
Revenue bonds	-	-	550,000	-	550,000
Revenue bonds sinking fund	-	-	317,281	-	317,281
Debt service	-	-	3,200	-	3,200
Management levy purposes	158,943	-	-	-	158,943
Student activities	-	279,233	-	-	279,233
Baseball program	-	-	-	17,221	17,221
Total fund balances	158,943	279,233	870,481	17,221	1,325,878
Total liabilities and fund balances	\$ 458,944	\$ 294,197	\$ 870,481	\$ 17,221	\$ 1,640,843

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	<u>Special Revenue</u>			<u>Permanent</u>	
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	<u>Marjorie</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	<u>Smith</u>	<u>Total</u>
				<u>Trust</u>	
Revenues:					
Local sources:					
Local tax	\$ 306,605	\$ -	\$ -	\$ -	\$ 306,605
Other	345	693,716	1,070	362	695,493
State sources	202	-	-	-	202
Total revenues	<u>307,152</u>	<u>693,716</u>	<u>1,070</u>	<u>362</u>	<u>1,002,300</u>
Expenditures:					
Current:					
Instruction	44,153	684,765	-	-	728,918
Support services:					
Administration services	15,859	-	-	-	15,859
Operation and maintenance of plant services	225,588	-	-	-	225,588
Transportation services	1,903	-	-	-	1,903
Other expenditures:					
Long term debt:					
Principal	-	-	260,000	-	260,000
Interest and fiscal charges	-	-	400,620	-	400,620
Total expenditures	<u>287,503</u>	<u>684,765</u>	<u>660,620</u>	<u>-</u>	<u>1,632,888</u>
Excess (deficiency) of revenues over (under) expenditures	19,649	8,951	(659,550)	362	(630,588)
Other financing sources:					
Interfund transfers in	-	-	733,891	-	733,891
Net change in fund balances	19,649	8,951	74,341	362	103,303
Fund balances beginning of year	<u>139,294</u>	<u>270,282</u>	<u>796,140</u>	<u>16,859</u>	<u>1,222,575</u>
Fund balances end of year	<u>\$ 158,943</u>	<u>\$ 279,233</u>	<u>\$ 870,481</u>	<u>\$ 17,221</u>	<u>\$ 1,325,878</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 1,800,957	\$ 907,307	\$ 3,596	\$ 2,711,860
Receivables:				
Property tax:				
Current year	-	3,490	-	3,490
Succeeding year	-	171,171	-	171,171
Income surtax	-	272,377	-	272,377
Due from other governments	546,652	-		546,652
Total assets	\$ 2,347,609	\$ 1,354,345	\$ 3,596	\$ 3,705,550
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 10,769	\$ -	\$ 10,769
Deferred revenue:				
Succeeding year property tax	-	171,171	-	171,171
Other	-	272,377	-	272,377
Total liabilities	-	454,317	-	454,317
Fund balances:				
Restricted for:				
School infrastructure	2,347,609	-	3,596	2,351,205
Physical plant and equipment	-	900,028	-	900,028
Total fund balances	2,347,609	900,028	3,596	3,251,233
Total liabilities and fund balances	\$ 2,347,609	\$ 1,354,345	\$ 3,596	\$ 3,705,550

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,151,851	\$ 521,005	\$ -	\$ 1,672,856
Other	20,246	3,362	3,950	27,558
State sources	-	179	-	179
Total revenues	<u>1,172,097</u>	<u>524,546</u>	<u>3,950</u>	<u>1,700,593</u>
Expenditures:				
Current:				
Support services:				
Operation and maintenance of plant services	-	68,535	-	68,535
Transportation services	-	76,488	-	76,488
Other expenditures:				
Facilities acquisition	2,942	237,604	1,752,730	1,993,276
Total expenditures	<u>2,942</u>	<u>382,627</u>	<u>1,752,730</u>	<u>2,138,299</u>
Excess (deficiency) of revenues over (under) expenditures	1,169,155	141,919	(1,748,780)	(437,706)
Other financing sources (uses):				
Interfund transfers out	(733,891)	-	-	(733,891)
Intrafund transfers in	-	-	224,051	224,051
Intrafund transfers out	(224,051)	-	-	(224,051)
Total other financing sources (uses)	<u>(957,942)</u>	<u>-</u>	<u>224,051</u>	<u>(733,891)</u>
Net change in fund balances	211,213	141,919	(1,524,729)	(1,171,597)
Fund balances beginning of year, as restated	<u>2,136,396</u>	<u>758,109</u>	<u>1,528,325</u>	<u>4,422,830</u>
Fund balances end of year	<u>\$ 2,347,609</u>	<u>\$ 900,028</u>	<u>\$ 3,596</u>	<u>\$ 3,251,233</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Curricular	\$ 6,723	\$ 1,261	\$ -	\$ 7,984
Drama	150	13,434	9,554	4,030
Vocal	17,225	159,731	156,113	20,843
Instrumental	1,155	53,605	51,106	3,654
Industrial Tech. Resale	788	5,576	2,342	4,022
Student Council	957	1,383	1,083	1,257
Media Club	3,774	2,306	2,605	3,475
Concessions	255	-	-	255
Yearbook	23,040	13,186	10,570	25,656
Art Club	1,239	1,741	663	2,317
Pom Pom	2,048	4,966	3,146	3,868
SADD	205	-	-	205
FFA	36,512	73,105	62,183	47,434
Spanish Club	13,230	12,048	8,425	16,853
National Honor Society	1,364	2,964	2,833	1,495
FCCLA	1,491	3,275	4,211	555
Wrestlerettes	45	-	-	45
Thespians	2,241	417	929	1,729
Class of 2009	752	-	-	752
Class of 2010	535	-	471	64
Class of 2011	1,826	4,149	3,912	2,063
Class of 2012	2,440	1,875	2,204	2,111
Class of 2013	1,182	1,719	49	2,852
Class of 2014	-	1,651	132	1,519
Robotics	517	770	1,225	62
HOSA	3,962	-	-	3,962
B/G Cocurricular	-	18,546	-	18,546
General Athletics	91,465	219,827	256,055	55,237
	<u>215,121</u>	<u>597,535</u>	<u>579,811</u>	<u>232,845</u>
Middle School:				
Student Council	<u>1,348</u>	<u>511</u>	<u>-</u>	<u>1,859</u>
Atkins:				
Cocurricular	484	58	-	542
Student Council	17,448	19,221	25,799	10,870
Media Club	<u>6,421</u>	<u>7,747</u>	<u>7,018</u>	<u>7,150</u>
	<u>24,353</u>	<u>27,026</u>	<u>32,817</u>	<u>18,562</u>

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Norway:				
Cocurricular	\$ 1,130	\$ 15	\$ -	\$ 1,145
Student Council	2,746	32,150	30,395	4,501
Media Club	3,369	7,243	6,885	3,727
Yearbook	-	2,756	2,756	-
	<u>7,245</u>	<u>42,164</u>	<u>40,036</u>	<u>9,373</u>
Keystone:				
Cocurricular	4,103	57	2,489	1,671
VHE Fundraiser	2,000	-	-	2,000
Student Council	10,422	24,422	27,612	7,232
Media Club	5,012	2,001	2,000	5,013
Art Club	678	-	-	678
	<u>22,215</u>	<u>26,480</u>	<u>32,101</u>	<u>16,594</u>
Total	\$ <u>270,282</u>	\$ <u>693,716</u>	\$ <u>684,765</u>	\$ <u>279,233</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2011

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>7,211</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,211</u>
Liabilities				
Other payables	\$ <u>7,211</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,211</u>

See accompanying independent auditor's report.

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BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 7,714,179	\$ 7,022,605	\$ 7,365,681	\$ 6,316,008
Tuition	507,759	457,447	432,324	331,666
Other	839,750	796,097	154,779	922,268
Intermediate sources	-	2,636	24,335	5,020
State sources	7,919,389	7,149,682	8,235,992	8,294,627
Federal sources	1,080,946	902,990	407,638	326,764
Total revenues	<u>\$ 18,062,023</u>	<u>\$ 16,331,457</u>	<u>\$ 16,620,749</u>	<u>\$ 16,196,353</u>
Expenditures:				
Instruction	\$ 10,332,746	\$ 10,026,119	\$ 10,279,703	\$ 9,806,078
Support services:				
Student services	167,276	202,173	240,429	247,792
Instructional staff services	428,220	453,745	439,262	420,346
Administration services	1,480,256	1,518,009	1,612,113	1,535,295
Operation and maintenance of plant services	1,533,123	1,600,129	1,550,534	1,618,579
Transportation services	914,728	749,367	949,790	794,070
Non-instructional programs	-	-	-	27,055
Other expenditures:				
Facilities acquisition	1,993,276	4,879,773	1,112,840	1,184,905
Long-term debt:				
Principal	260,000	155,000	145,000	140,000
Interest and fiscal charges	400,620	337,962	153,888	134,045
AEA flowthrough	656,501	645,657	578,193	563,196
Total expenditures	<u>\$ 18,166,746</u>	<u>\$ 20,567,934</u>	<u>\$ 17,061,752</u>	<u>\$ 16,471,361</u>

See accompanying independent auditor's report.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	6,200,534	\$ 5,749,200	\$ 5,666,309
	411,950	435,003	394,057
	779,811	660,751	554,516
	27,250	-	31,116
	7,570,220	7,222,771	6,660,965
	408,774	416,949	275,729
	<u>\$ 15,398,539</u>	<u>\$ 14,484,674</u>	<u>\$ 13,582,692</u>
\$	8,915,773	\$ 8,477,351	\$ 8,191,843
	218,385	282,904	236,472
	399,005	415,950	361,657
	1,329,890	1,264,891	1,106,402
	1,659,135	1,416,325	1,335,313
	857,489	785,013	756,403
	-	-	-
	1,040,783	672,640	1,454,627
	135,000	125,000	45,000
	140,015	145,453	203,246
	531,883	500,773	477,287
	<u>\$ 15,227,358</u>	<u>\$ 14,086,300</u>	<u>\$ 14,168,250</u>

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	\$ 25,823
National School Lunch Program	10.555	FY 11	173,756
National School Lunch Program (non-cash)	10.555	FY 11	46,340
			<u>245,919</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY 11	105,199
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	19,061
			<u>124,260</u>
Improving Teacher Quality State Grants	84.367	FY 11	46,178
Grants for State Assessments and Related Activities	84.369	FY 11	10,173
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	474,638
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	75,420
			<u>550,058</u>
Grant Wood Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 11	84,786
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	80,115
			<u>164,901</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	9,826
Total			<u>\$ 1,151,315</u>

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Benton Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Benton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Benton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Benton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-11 and II-D-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Benton Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Benton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Benton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Benton Community School District and other parties to whom Benton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Benton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 14, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Benton Community School District:

Compliance

We have audited Benton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Benton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Benton Community School District's management. Our responsibility is to express an opinion on Benton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Benton Community School District's compliance with those requirements.

In our opinion, Benton Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Benton Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Benton Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Benton Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Benton Community School District and other parties to whom Benton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
February 14, 2012

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.367 – Improving Teacher Quality State Grants
 - Clustered programs:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Benton Community School District did not qualify as a low-risk auditee.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-11 Bank Reconciliation – We noted that differences on the General Fund bank reconciliation were not investigated timely and the differences were eventually adjusted without determining the proper accounts to adjust. Adjusting journal entries have been made to the general ledger to correct these items.

Recommendation – Any differences on the monthly bank reconciliations should be investigated and corrected timely. This would allow the District to timely detect and correct errors or omissions and would provide accurate and reliable financial information for the District’s management and the Board of Education throughout the year.

Response – We will investigate and correct any bank reconciliation differences more timely in the future.

Conclusion – Response accepted.

- II-B-11 Financial Reporting – During the audit, we identified material amounts of receipts for property taxes and an IASB dividend not properly recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly transfer the property tax receipts to the correct fund in the financial statements.

Recommendation – The District should implement procedures to ensure all receipts are recorded in the correct fund in the District’s financial statements. The District should transfer \$21,234 from the General Fund to the Special Revenue, Management Levy Fund for the uncorrected receipt. The receipt was for an IASB insurance dividend. The IASB insurance premiums had originally been paid out of the Management Fund so the resulting dividend should be returned there.

Response – We will double check these in the future to make sure all receipts are recorded in the correct fund. We will also make the recommended corrective transfer.

Conclusion – Response accepted.

- II-C-11 Nontimely Deposits – We noted two checks in the Special Revenue, Student Activity Fund from the District school buildings and one reimbursement check to the General Fund from the Enterprise, School Nutrition Fund that were not deposited for up to nearly one month.

Recommendation – All checks should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities.

Response – We will try to ensure that all checks are deposited timely.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- II-D-11 Flexible Benefits Plan – We noted that the District had not closed out the flexible benefits 2009 /2010 plan year. The unspent balance of \$10,770 should be closed out of the payroll withholding liability account.

Recommendation – The District should close out any unspent balances of the flexible benefits plan when the grace period for the plan year is over. Any balance should be closed out of the payroll withholding liability account and receipted into the General Fund as a miscellaneous revenue, in accordance with Internal Revenue Service regulations.

Response – We have closed out the balance of the 2009/2010 plan year. We will make sure to timely close out any balances for future plan years.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- IV-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	2,136,396
Revenues:			
Sales tax revenues	\$	1,151,851	
Interest		<u>20,246</u>	<u>1,172,097</u>
Expenditures/transfers out:			
School infrastructure construction		2,942	
Transfers to other funds:			
Debt Service Fund		733,891	
Other Capital Projects Fund		<u>224,051</u>	<u>960,884</u>
Ending balance		\$	<u><u>2,347,609</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.54915	\$ 273,058

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-M-11 Violation of Iowa Gift Law – We noted that the instructor in charge of booking the tour for the New York City/Washington D.C. vocal trip received five complimentary tour packages from the travel agency for his family valued at approximately \$1,166 per tour package for a total of \$5,830. The value of these complimentary tour packages was not allocated to all the other individuals who attended the trip, which could have reduced the cost they had to pay. The five family members did not pay the school anything to go on the trip. Chapter 68B of the Code of Iowa establishes ethical requirements for local governments for Iowa’s “gift law.” The gift law prohibits officials or employees from receiving or soliciting gifts from a restricted donor greater than \$3 on any given day. A restricted donor includes a person or vendor seeking to be a party to a sale, purchase, lease, or contract with the School District.

Recommendation – The District should refer to their policy regarding compliance with Iowa’s gift law and contact their school attorney to help them determine any further action necessary.

Response – We will refer to our policy and contact our school attorney and the Iowa Ethics Campaign and Disclosure Board to help us resolve this matter. We will also emphasize to all our employees that gifts are not to be accepted for personal purposes from vendors or potential vendors.

Conclusion – Response accepted.